

SERVING ALL OF CALIFORNIA



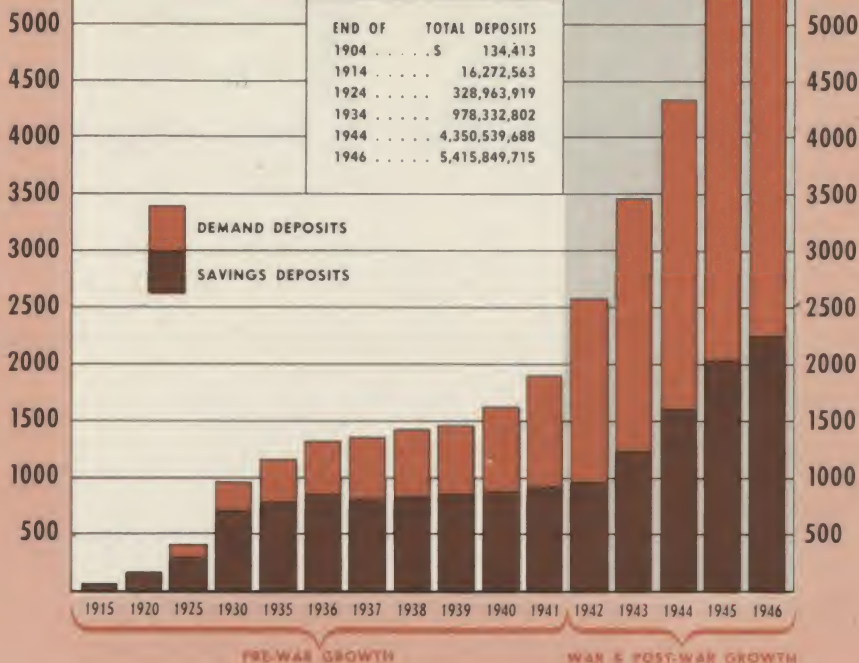
A N N U A L R E P O R T

1946

MILLIONS OF
DOLLARS

DEPOSITS

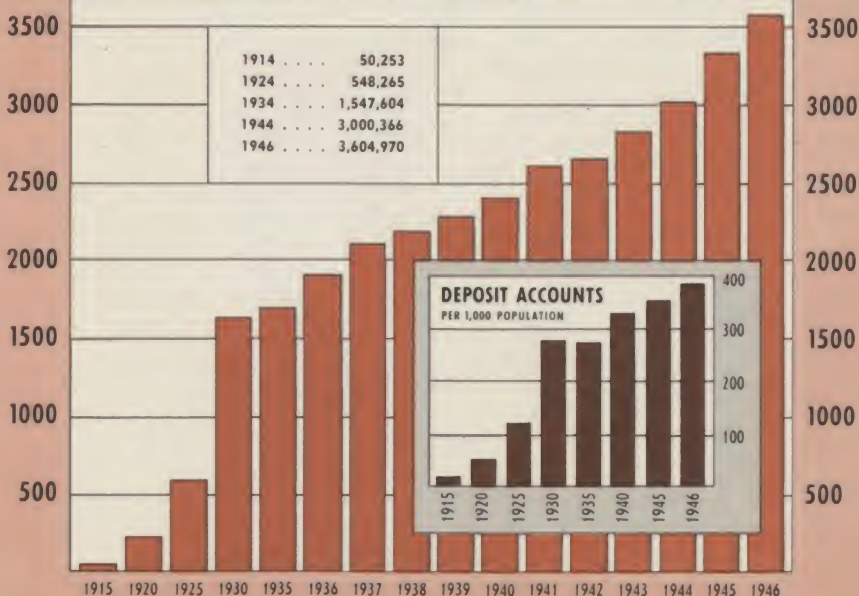
MILLIONS OF
DOLLARS



THOUSANDS OF
ACCOUNTS

NUMBER OF DEPOSIT ACCOUNTS

THOUSANDS OF
ACCOUNTS



BANK OF AMERICA

NATIONAL TRUST AND SAVINGS ASSOCIATION

ANNUAL REPORT OF PRESIDENT L. M. GIANNINI



TO THE STOCKHOLDERS

SAN FRANCISCO • CALIFORNIA

JANUARY 14, 1947

IN 1946, for the first time in five years, banking trends were not under the influence of bond drives and rising government debt. Developments in our bank during the year just closed might be described as of the home-made variety, now shaped primarily by economic conditions in California after cessation of extraordinary government spending, and by our own keystone policy of conducting this bank as a utility for all the people.

While this report presents the year's operations of the bank, it is also a picture of the changing and improving fortunes of the host of Californians who patronize the bank. When considered as an indication of how the people fared in the first postwar year, it seems to me that there is inspiration as well as interest in the records on the bank's ledgers at the close of 1946.

- Our total resources amounted to \$5,765,525,193, which was \$139,461,266 higher than a year previous.
- Deposits totaled \$5,415,849,715, exceeding the previous year's figure by \$76,542,616. Deposits other than United States war loan deposits increased \$451,825,024 during the year. Our deposits and resources were the highest totals reported by any bank, continuing the position we held at mid-year.

- Loans outstanding in the record amount of \$1,722,743,513 achieved an increase of \$704,002,057 between year-ends. This increase was composed of gains of about \$257,000,000 in commercial, industrial and agricultural loans, \$287,000,000 in real estate loans, and \$160,000,000 in instalment credit loans.
- Investments in securities amounted to \$2,882,151,377, including \$2,394,164,647 in United States Government obligations, direct and fully guaranteed. Total investments in securities represented a reduction during the year of \$651,020,901, brought about primarily by employment of more funds in loans.
- Capital funds were increased \$11,702,151, and at the end of the year amounted to \$241,296,707, independent of the "Reserve for Bad Debts", which amounted to \$31,115,509, an increase of \$13,008,890 for the year.
- Assisted by the considerable increase in loans, earnings again exceeded any previous record.



EARNINGS AND DIVIDENDS

Gross income for 1946 amounted to \$139,452,847, in comparison with \$110,092,284 for 1945. Expenses and taxes consumed \$81,162,955 in 1946, against \$64,500,306 in 1945. Earnings for 1946 were \$58,289,892, which compared with \$45,591,978 in 1945.

Charges against earnings to provide for depreciation, amortization, employees' profit-sharing bonus, valuation reserves and addition to "Reserve for Bad Debts" totaled \$29,327,148, leaving \$28,962,744 for dividends and addition to capital funds, in comparison with \$23,880,680 in 1945.

These results were equal to \$3.39 a share on 8,531,710 shares of common stock outstanding at the end of 1946, and compare with \$2.88 a share on 8,000,000 shares outstanding a year previous.

SUMMARY OF OPERATIONS—1946

INCOME FROM:

Loans	\$57,696,914	
Security investments, including profits of \$3,482,425 from sales of securities	59,589,066	
Miscellaneous sources, including trust fees, service charges, and recoveries of \$1,992,670	22,166,867	
GROSS INCOME		\$139,452,847

EXPENSES:

Salaries and payments for personal services	\$36,736,781	
Interest on deposits	17,012,379	
Taxes: Local, State and Federal, including Social Security, and Federal Deposit Insurance assessments	15,398,416	
Other operating costs	12,015,379	
TOTAL OPERATING EXPENSES		81,162,955
EARNINGS		\$ 58,289,892

CHARGES AGAINST EARNINGS:

Depreciation of banking premises, furniture, fixtures, and equipment \$ 843,481	
Amortization of bond premiums . 11,791,954	
Reserves set up and applied to revaluation of assets and to losses other than loan losses 1,031,963	
"Reserve for Bad Debts" 13,696,176	
Employees' profit-sharing participation 1,963,574	
	29,327,148
	\$ 28,962,744

Dividends paid:

Preferred stock—rate \$2 a share \$ 19,680	
Common stock—rate \$2 a share 17,043,363	
Retirement of preferred stock . . 197,550	
Net addition to capital funds . . 11,702,151	
	\$ 28,962,744

Preferred and common stock dividend payments were increased from \$13,608,556 in 1945 to \$17,063,043 in 1946. Effective with the June payment, the semi-annual dividend rate on the common stock was increased to \$1, payments for the year amounting to \$2 a share against \$1.60 in 1945.

After payment of dividends, retirement of preferred stock, and provision for the "Reserve for Bad Debts," net addition to capital funds in 1946 amounted to \$11,702,151.

"Reserve for Bad Debts." In continuation of a policy inaugurated in 1944 as an extra measure of conservatism, \$13,696,176 was transferred from earnings of 1946 to our "Reserve for Bad Debts." Transfers of earnings to this reserve in prior years amounted to \$10,008,739 in 1944 and \$9,542,525 in 1945. After charges for loan losses sustained during 1946, the "Reserve for Bad Debts" amounted to \$31,115,509 at the end of the year.



CHANGES

IN CAPITAL FUNDS

THE end of 1945 our capitalization consisted of 404,278 shares of preferred stock and 8,000,000 shares of common stock. During 1946, 400,327 preferred shares were converted into 531,710 common shares and the remaining 3,951 preferred shares were retired by payment of \$197,550 out of allocated earnings. By these transactions common capital was increased from \$100,000,000 to \$106,646,375. With the elimination of preferred stock and the preferred stock retirement fund, total capital funds now consist of common stock, surplus, undivided profits and reserves.

Surplus was increased \$13,500,000 during 1946, from \$96,500,000 to \$110,000,000. This increase was composed of \$12,139,835 transferred from undivided profits and \$1,360,165 resulting from the conversion of preferred shares into common shares.



DEVELOPMENTS IN DEPOSITS

TOTAL deposits, which include war loan deposits of the United States Government, increased from \$5,339,307,098 to \$5,415,849,715, a gain of \$76,542,616. All deposits, exclusive of war loan deposits, increased \$451,825,024 during the year, a gain more than sufficient to offset the reduction of \$375,282,408 in the Government's war loan account.

Demand deposits, exclusive of the war loan account, rose from \$2,865,541,173 to \$3,088,543,168, an increase of \$223,001,995 for the year, while savings and time deposits, totaling \$2,263,597,759 at December 31, 1946, registered an increase of \$228,823,029.

Reversing the national downward trend of the past several years, interest rates on savings accounts are to be increased 25 per cent for the first six months of 1947 on most of our savings deposits, as authorized by the Board of Directors in December. The generally prevailing interest rate of 1 per cent on balances up to \$10,000 will be raised to $1\frac{1}{4}$ per cent.

Benefits of this rate change will be reflected throughout California. Savings accounts in our bank number nearly 2,300,000, approximately 96 per cent of which are in the "small saver" group of less than \$5,000. The overall average of savings accounts is \$994.

This action is another step by our board toward giving recognition to all groups responsible for the progress of our bank. It is in harmony with actions taken at mid-year in raising the rate of stockholders' dividends and increasing basic salaries of employees. It is hoped that the savings interest rate can be progressively increased as conditions warrant. The board's action is adequately justified by the operating results presented in this report.

Heretofore 1 per cent interest on savings balances over \$10,000 was credited to accounts on the books September 2, 1942. By the board's action, interest at this rate will be paid on balances exceeding \$10,000

in accounts on the books December 31, 1946, provided such excess funds remain on deposit for full semi-annual periods. New savings accounts in excess of \$10,000 will be accepted at interest on the same terms only with prior executive approval, continuing custom of recent years.

Organized work was resumed in 1946 in two important activities which promote the habit of thrift, namely, development of school savings and Christmas Club accounts. During the war the bank did not seek these classes of business, urging instead the purchase of war savings bonds and stamps.

In December we were carrying upwards of 148,000 school savings accounts with deposits exceeding \$9,000,000, the average balance being \$61. Five years earlier, when there were 315,000 school savings accounts with deposits of \$5,650,000, the average balance was \$18. This comparison of what took place during the war period when school savings promotion was suspended suggests the power of this activity in developing the thrift habit among children and young people.

Last December 1st 123,000 members of the Christmas Club completed a year of systematic saving at the rate of 50 cents a week or more, and it was our pleasure to mail them \$12,000,000 worth of checks averaging \$98 in time for Christmas shopping. Past experience tells us that a large proportion of these Christmas Club accounts will be converted into regular savings accounts and thus become the first step toward financial independence for many people.



BANK CREDIT AT WORK

IN LAST year's report I observed that while a new record had been set in loans outstanding, "the real story of the bank's lending activities in 1945 was not so much in the amount of business done as in preparations made to do business—to meet postwar requirements," and that "considering our plans and facilities, and the outlook for constructive use of bank credit, we expect current figures to be eclipsed by future developments."

This expectation was fully realized in 1946, when loans outstanding rose from \$1,018,741,456 to \$1,722,743,513. Reconversion financing, greater business activity and higher price levels all helped to establish this record, assisted by the completeness of our credit facilities, their availability anywhere in the state, and their adaptability to the circumstances of every class of credit seeker.

All types of borrowers made greater use of bank credit in 1946, but a very substantial part of our year's increase in loans was produced by the large number of small loans made to veterans and others. In round figures, commercial, industrial and agricultural loans outstanding increased \$257,000,000, while real estate loans increased \$287,000,000 and instalment credit loans \$160,000,000.

During the year over 60,000 loans were made to veterans in the three classifications provided in the G. I. Bill of Rights, namely business loans, farm loans, and home loans.

Total real estate loans outstanding December 31st amounted to approximately \$730,000,000, comparing with \$442,887,000 a year earlier. This increase was in substantial part accounted for by home loans to veterans. Under provisions of the G. I. Bill the government guarantees either 50 per cent of the loan or \$4,000, whichever is lower. The average amount of home loans to veterans was \$7,600 and the amount guaranteed averaged \$3,500. The bank's average uninsured investment in these loans was therefore approximately \$4,100.

Timeplan loans in fifteen classifications represented credit volume of about \$292,000,000 in 597,000 transactions as the year's work for this department. Included in these Timeplan figures were about 267,000 personal loans averaging \$275. In 1946, under the plan introduced the year before, we made approximately \$31,000,000 of term loans to some 9,000 small businesses for capital purposes. In three other recently introduced credit categories, namely, retail financing of commercial vehicles, industrial, and farm equipment, about \$51,000,000 was employed in around 22,000 transactions averaging \$2,300 each.

Higher prices for goods and commodities together with increased volume made it necessary for many business firms to increase their working capital. Activated by this condition, our normal business in commodity loans approximately doubled. Loans were made on a greater number of commodities and to a larger number of borrowers.



Bank of

NATIONAL TRUST SAVINGS

STATEMENT OF CONDITION

RESOURCES

Cash in our vaults and on deposit with Federal Reserve Bank	\$ 719,881,949.43	
Cash on deposit with banks in New York, Chicago, and other cities, and cash items in process of collection	334,650,483.54	
TOTAL CASH		\$1,054,532,432.97
United States Government obligations.		
direct and fully guaranteed	\$2,394,164,646.68	
State, county, and municipal bonds	363,908,908.90	
Other bonds and securities	117,858,171.83	
Stock in Federal Reserve Bank	6,219,650.00	
TOTAL SECURITIES		2,882,151,377.41
We have loaned to our customers for use in their businesses, for reconversion purposes, for the storing of commodities, for intermediate capital uses, for building, buying, or modernizing their homes, financing automobile or household equipment purchases, and for other legitimate needs		
	\$1,722,743,512.87	
We have interest due us on bonds and loans (earned to the date of this statement), and accounts receivable		
	18,678,564.90	
We hold guarantees and securities of customers and banks, for letters of credit, acceptances, and endorsed bills		
	56,627,025.23	
TOTAL DUE US FROM CUSTOMERS		1,798,049,103.00
Bank buildings, furniture, fixtures, and safe deposit vaults. This figure represents the cost less depreciation reserve of \$20,803,477.17		30,286,288.10
Other real estate owned. This is real estate acquired in the settlement of debt, carried at less than cost or appraised value		86,034.56
Other resources, including supplies inventory, automotive equipment, deferred charges, etc.		419,956.58
TOTAL RESOURCES		\$5,765,525,192.62

This statement includes the figures of
 Member Federal Reserve System
 Branches serving

W O R L D W I D E S C O P E



ION DECEMBER 31, 1946

LIABILITIES

Capital. Representing the investment of over 150,000 stockholders	\$ 106,646,375.00
Surplus. Paid in by stockholders or accumulated from earnings	110,000,000.00
Undivided profits. Profits accumulated and not distributed	20,235,546.71
Reserves. Set aside out of accumulated profits by the Board of Directors, available as a reserve, in addition to Surplus and Undivided Profits, against normal contingencies	4,414,785.01
TOTAL CAPITAL FUNDS	\$ 241,296,706.72
Reserve for bad debts. Charge against earnings to cover losses that may develop in loans. This reserve has not been allocated to any particular loans or type of loans	31,115,509.13
Demand deposits. Funds placed with the bank by individuals, corporations, firms, banks, public officials, and the United States Government (payable on demand) \$3,152,251,956.15	
Savings and time deposits. Funds placed with the bank in savings accounts or for extended periods of time by individuals, corporations, firms, United States Government, State of California and political subdivisions thereof	2,263,597,758.57
TOTAL DEPOSITS	5,415,849,714.72
We have endorsed Bankers' Acceptances and issued Letters of Credit on behalf of customers, and have agreed to honor Customers' Drafts (not yet due), all of which are secured by the guarantees and collateral of customers and banks included in resources	57,926,262.57
We have reserved for interest received in advance on loans	9,408,514.39
This amount will be taken into income as earned.	
We have set aside as a reserve for interest payable on time deposits and for taxes and other expenses	9,928,485.09
TOTAL LIABILITIES	\$5,765,525,192.62

of the London, England, banking office
Member Federal Deposit Insurance Corporation
covering all California

Outstanding amount of accounts receivable approximately tripled.

Livestock, crop and other agricultural loans all registered increases. A special mid-year analysis revealed that approximately 70 per cent of our agricultural loans were on a short term basis to finance livestock, crops and farming operations.



INVESTMENT PORTFOLIO

INVESTMENT in government securities represented 83.1 per cent of total investments at December 31, 1946, against 88.8 per cent one year earlier, while during the same period holdings of state, county and municipal bonds rose from 7.8 to 12.6 per cent of total investments. These investments in municipal bonds provide community building capital with which to construct schools, highways, bridges, sewers and other improvements.

At the end of 1946 we owned \$910,864,700 par value of government issues due or callable in less than one year, comprising 38.9 per cent of our government portfolio, in comparison with \$1,734,765,900, or 56.3 per cent, a year earlier. Our ownership of government issues due or callable in one to five years was increased from \$545,410,650 par value to \$800,937,500, rising from 17.6 to 34.1 per cent of our investment in government securities. Issues due or callable within five years constituted 73.0 per cent of the government portfolio at December 31, 1946, which compares with 73.9 per cent the year before.

Although our securities portfolio was reduced during 1946, gross income from investments, exclusive of profits from sales of securities, was higher than the year before, \$56,106,641 against \$47,764,386. This improvement was due in part to a slight increase in the average yield from securities, occasioned by an increase in issues maturing in three to six years.



"THE LITTLE FELLOW'S BANK"

each passing year, the wisdom of our founder, A. P. Giannini, in establishing a bank where the little fellow's business would be welcome becomes more apparent. A story that never seems to grow old with retelling is the story of the number of depositors and borrowers who have built this bank to its present size and world rank—a unique example of the force of a sound idea carried on with persistence and determination.

A census taken near the close of 1946 showed that we were custodian of 3,604,970 deposit accounts and had 697,999 loans outstanding, constituting gains of 285,099 deposit accounts and 271,599 loans in the year.

This showing in deposit accounts was equal to about 383 accounts for each 1,000 people in the state. The total included 1,328,340 checking and 2,276,630 savings accounts.

The loan total was composed of 370,193 small loans to individuals and small business men, 219,623 loans to assist people to purchase or improve their homes or other real property, and 108,183 commercial, industrial and agricultural loans.

When the most recent count was taken, our family of stockholders had grown to 155,482 members. This means that for every one of the 159 stockholders who joined A. P. Giannini in starting the bank, there are now 978 stockholders.

Six new branches were opened during 1946, one each at San Gabriel, Lower Lake, Paradise, Vallejo, Lynwood and Sacramento; and the Palmdale branch, closed during the war, was reopened. The statewide system now consists of 500 branches, in addition to which we are operating 15 military banking facilities at Navy bases and Army posts.



TRUST DEPARTMENT

Trust Department experienced the best year in its history, judged both by amount of service rendered and amount of income realized. Value of trust assets increased substantially. As a direct reflection of this growth, net income of the department was about 42 per cent higher than in 1945. Potential business also increased, indicated by a 29 per cent gain over 1945 in number of new wills filed naming our bank as executor or trustee or both.



WORLD BANKING

Revival of foreign banking business, which began in 1945, continued at an accelerating pace in 1946. Details of the full year are not yet available, but representative figures for the first eleven months suggest what has taken place in our International Banking Department.

During this period there were increases of 259 per cent in our issuance of commercial letters of credit, 279 per cent in letters of credit established through us by foreign banks, 72 per cent in the dollar volume of foreign remittances, and 45 per cent in dollar amount of travelers cheques sold. These increases raised the profit of the department 68 per cent over 1945, and 228 per cent over the last prewar year.

Banking business with the Philippines was at a high rate of activity throughout the year. We made application to the Board of Governors of the Federal Reserve System for branches of Bank of America in

Manila and Shanghai, which permits were granted. We expect to open the Manila branch early in 1947 and the Shanghai branch at an appropriate time.

Our nation's destiny in future world trade and in the field of international banking seems quite clear. In this sphere, a position of great and growing importance for California and the Pacific Coast cannot be doubted.



OUR CO-WORKERS

The bank's business is now being carried on by 13,756 officers and other employees, 2,079 more than a year ago. Many of these additions are veterans. We are heartily glad to have them back with us after their service to our country. Others are new recruits in banking, or new members of our Bankamerica family. We welcome them also. We hope they will make a lifetime career in banking right here with us.

These new staff members, by the way, will meet many career bankers among their associates. During the year just passed, 128 staff members completed 25 years of service. It is our pride that the distinguished Quarter Century Club has enrolled 732 members to date, of which 611 are on active duty—the backbone of our organization.

Last June a substantial upward adjustment was made in basic salaries of employees receiving up to \$500 a month. Suggesting the effect of this staff-wide adjustment, our salary expense for the year increased \$10,255,689, or 39 per cent, while the number of employees increased 18 per cent.

During the fiscal year ended November 30, 1946, the Trustees of the Employees' Profit-Sharing Bonus Plan acquired 24,059 shares of Bank of America common stock in the open market for the account of participating employees. Including these shares, and shares issued in 1945 as a stock dividend, shares acquired between inception of the plan in 1938 and November 30, 1946, totaled 331,681. The year-end market value of these shares was \$15,506,087.



POSTWAR CALIFORNIA

WHEN California's spectacular wartime growth was in progress, the opinion of many was that a postwar setback would occur, led by a temporary decline in population. The rather cautiously qualified view of these people was that the long-time upward trend of the California economy would eventually be resumed—after receding from wartime peaks.

Developments in 1946 did not follow this pattern. The state not only held its population but added to it, employment was at a high level, and business was at its best. Certain shifts and adjustments in industrial activity took place, notably in shipbuilding and aircraft manufacture, but on the whole the state progressed at its typical peacetime rate.

California Taxpayers' Association estimated the year-end population of the state to be 9,420,000. This was an increase of 170,000 for the year, which compares with an annual average gain of 123,000 between 1930 and 1940, and 469,000 between 1940 and 1945.

Total civilian employment in California was estimated to be about 3,547,000 in June 1946, which was 54,000 lower than in 1945, but 1,033,000 more than in April 1940.

Manufacturing industries completed their postwar employment deflation swiftly following V-J Day, the downward adjustment being completed between August 1945 and February 1946. In both the durable and nondurable lines, the employment trend was upward commencing in March 1946. Reductions from wartime peaks in manufacturing industries were largely offset by gains in other groups of employers. Substantial increases in employment were recorded in 1946 in agriculture, the utilities, trade and service industries.

The only reduction in number of manufacturing employees occurred in shipyards. All other industrial categories employed more people in

1946 than in 1945, including (by analysis of November figures) gains of 16,400 in iron and steel, 19,600 in machinery manufacture, and 7,300 in furniture and wood products industries. Employment in aircraft plants was stabilized at 95,400 in November 1946, compared with 94,400 in that month of 1945, these figures being more than double prewar totals.

Department store sales in 1946 ranged from 10 to 40 per cent ahead of corresponding months of 1945. In November 1946, the Federal Reserve Board's adjusted index stood at 326, better than three times the 1935-1939 average for California.

Cash receipts from farm marketings for the first nine months of 1946 were about 5.6 per cent ahead of that period of 1945, \$1,317,338,000 by comparison with \$1,247,116,000. If this rate of gain continued to the year's close, the amount of new money produced from California soil in 1946 was close to \$1,900,000,000, to compare with \$1,786,497,000 in 1945.

An independent analyst recently reported that close to 1,130 new plant and expansion projects for California, involving \$152,312,000 capital investment, were announced in the first half of 1946, on top of 1,399 such projects, calling for \$220,647,000 capital investment, announced in 1945. Over 300 eastern industries were reported actively considering establishment of branch plants in California.

Impressive progress was made on these projected plans in 1946, but due to shortage of labor and materials, most of them are still labeled for the future. Shortage of housing in California is expressed in hundreds of thousands of units. Traffic congestion in cities and along highways stamps much of the state's multi-million-dollar highway improvement program as essential, urgent. Unfilled wants for industrial plants, business structures and residences, coupled with the highway program, create a backlog that for several years should challenge California's capacity to produce.

Without doubt, California has a great future. It is equally clear that the future of California and its people is the future of our bank. California and Bank of America are inseparable. For our part, all 13,756 of us, our purpose and intent is to help California to make the most of its future.

With this concluding thought, it seems timely to recall a fundamental policy of the bank reiterated by resolution of the Board of

Directors to express a cardinal principle governing the conduct of members of the staff. Observing the loyalty and efficiency of the entire organization, and mindful that certain practices and codes of conduct are essential to perpetuation of this condition, the Board resolved that, in the interests of both those who work for the institution and those whom it serves, it shall continue to be the established policy that all officers and employees refrain from speculation in securities, and avoid engagement in outside business ventures which would consume their time and thought during business hours.

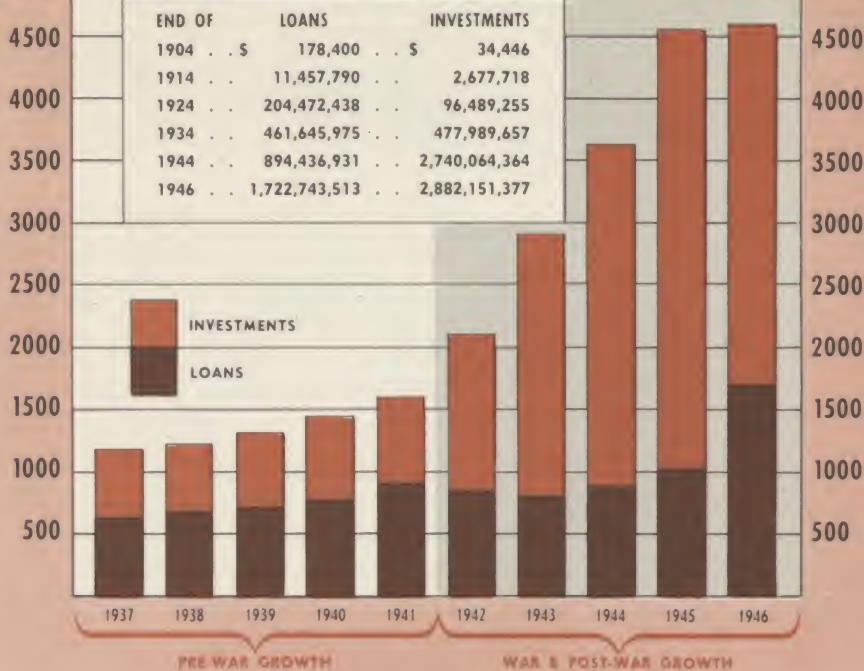
In short, every Bankamerican must have but one business interest: the bank and the people it serves.



MILLIONS OF
DOLLARS

LOANS & INVESTMENTS

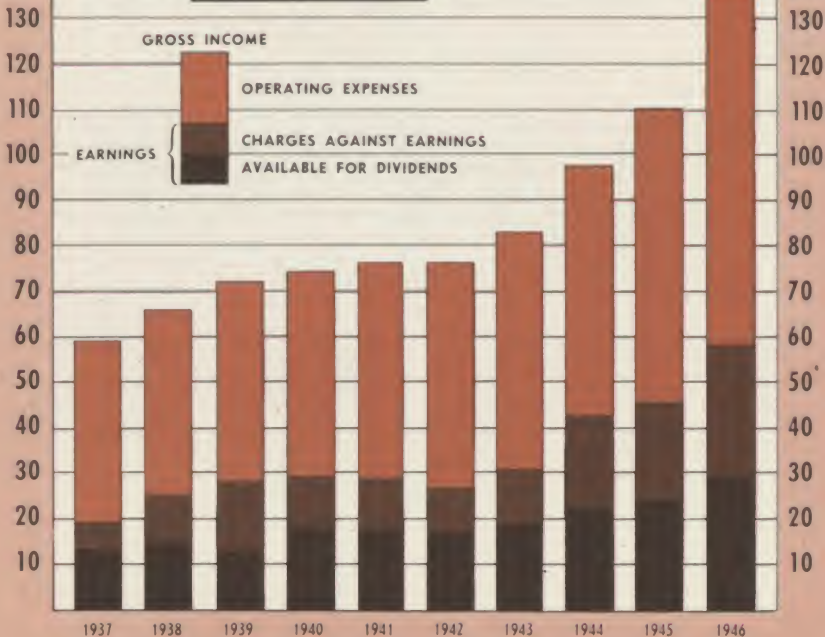
MILLIONS OF
DOLLARS

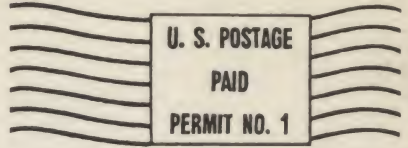


MILLIONS OF
DOLLARS

EARNINGS

MILLIONS OF
DOLLARS





CLEVELAND PUBLIC LIBRARY
SERIALS DEPARTMENT
325 SUPERIOR AVENUE
CLEVELAND 14 OHIO